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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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SUBJECT: TURKMENBASHY REFINERY WILL SOON PRODUCE MORE JET FUEL

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (U) Charge called on Turkmenbashy Refinery General Director Tagangeldi Mamedov September 11. Mamedov confirmed the refinery currently produces 6M tons of refined petroleum products a year, although the current capacity is 7.5M tons. When the second phase of upgrading is finished in 2010, total capacity will be 10M tons. The contractor for the second-phase upgrade, which is focused on new equipment to refine an additional 2.5M tons/year of crude oil is Emerol Ltd. of Ireland, which also oversees environmental issues at the refinery.

U.S. COMPANY INSTALLING CAPACITY FOR JET FUEL

¶3. (U) Additionally, work is well advanced on a separate project at the refinery to install structural and mechanical capacity to produce high-quality jet fuel. The goal is to begin production by Turkmenistan's Independence Day, October 27. Mamedov described the project as a left-over from the Soviet period that Russia then tried to resuscitate but eventually dropped.

¶4. (U) At the direction of former President Niyazov, Mamdeov went to Houston, Texas, last year, he said, and signed a contract with Merichem Chemicals and Refinery Services LLC to supply and install the equipment that was shipped to Turkmenistan in modular form to be assembled at the Turkmenbashy Refinery. According to Mamedov, Merichem currently has a "chef de montage" on site, and will provide on-going quality-control services once production begins.

¶5. (SBU) In reply to a question, Mamedov said the Refinery is not opposed to new exclusive supplier contracts (for example, for jet fuel to the U.S. military in Afghanistan), but generally prefers to sell its production at auction on the Ashgabat "commodity exchange," because bidders tend to bid up the price over exclusive contracts since the Turkmenbashy Refinery is known in the Former Soviet Union and in Europe for producing world-standard finished products. In this context, Mamedov noted sales to Afghanistan have increased significantly in the past year, although he didn't have statistics

immediately at hand.

"NO ECOLOGICAL PROBLEMS"

¶16. (U) Mamedov acknowledged ecological concerns are a major issue for the Turkmenbashi Refinery, especially since the Berdimuhamedov-mandated "International Tourist Zone" will be built near-by (septel). He said the refinery's current contract with Emerol includes a significant ecological upgrade and monitoring component, and maintained the refinery has no problem with disposition of residual by-products because all are either sold (including to RusAl in Russia and Talco in Tajikistan for aluminum production) or re-refined into other commercial products such as road-building asphalt or "polypropylene tape that is sold all over Turkmenistan."

"NO SECURITY PROBLEMS"

¶17. (SBU) Likewise, Mamedov said he is satisfied with security at the refinery. Merhav (Israel) installed the security system that includes surveillance cameras and a closed-circuit TV monitoring system. Merhav trained the extensive security force who are "young guys specifically chosen and educated to be loyal."

SAYDI-II REFINERY STILL IN DRAFT STAGE

¶18. (SBU) Mamedov is also General Director of the Saydi Refinery on the Uzbek border, on the opposite side of the country. Saydi's current production is 2-4M tons/year, although capacity is 6M tons. He acknowledged that President Berdimuhamedov and Vice Premier for Oil and Gas Tachberdi Tagiyev had recently ordered Saydi be upgraded. The general plan is to build a new refinery next to the old one that would have a 3M-ton capacity. However, this is "only in the planning stages." The new Saydi project would refine

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products from existing natural gas wells, rather than crude oil. Mamedov re-emphasized that Saydi-II is only in "draft stage."

¶19. (U) The administrative buildings of the Turkmenbashi Refinery are of obvious Soviet vintage. However, a Turkish construction company is completing a new 10-story administrative building on the premises. The superstructure is finished, and interior work is under way.

¶10. (SBU) Mamedov was pleasant and business-like, although he was unsure of the precise time of his appointment with the Charge, who had to wander through the refinery's administrative headquarters on his own trying to find Mamedov's office. He said he had received only a "letter of permission" from the Cabinet of Ministers in Ashgabat alerting him that "he was allowed to meet with the American Ambassador during the September 11-13 time-frame."
HOAGLAND